Public Hearing Testimony of
Sharon Palmer, Commissioner
Department of Labor
Labor and Public Employees Committee
March 11, 2014

Good Afternoon Senator Holder-Winfield, Representative Tercyak, Senator Markley and Representative Smith and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide you with testimony regarding **Raised Bill No. 320: AAC Unemployment Fraud.** My name is Sharon Palmer and I am the Labor Commissioner.

I am here to speak in opposition to this bill. Portions of this bill contravene federal Unemployment Compensation (UC) requirements and would place Connecticut law out of conformity, with catastrophic results to the Department of Labor and the employer community. Other portions negatively impact the most vulnerable claimants who were overpaid unemployment benefits through error. The final proposal of the bill would place a huge administrative burden on the Department and would negatively impact ongoing Information Technology (IT) processes in the Department for a long time.

Section 1 of the bill proposes two changes to C.G.S. section 31-273, pertaining to unemployment compensation overpayments created due to non-fraudulent reasons. First, the bill proposes allowing an adjudicator to offer methods besides offsetting a claimant's future benefits to repay the overpayment. Additionally, the bill seeks to remove the possibility of the Department's waiving the overpayment for reasons related to equity and good conscience. The first change is in contravention of federal law. The second change constitutes a harsh modification to Connecticut law that would have a very hard impact upon claimants, some of whom receive the waiver to repay based upon reasons such as poverty, death, or impairment.

Specifically in regards to the offsetting of future benefits to repay the overpayment, in 2012, Congress amended the "withdrawal standard" of Federal Unemployment Tax Act (FUTA) and portions of the Social Security Act to require states to offset any Unemployment Compensation (UC) overpayments, paid under a Federal or other state program and not previously recovered, against payments of UC due to the individual under such state's UC law. Before enactment of the Act, sections 3304(a)(4)(D), FUTA, and 303(g)(1), SSA, permitted, but did not mandate, these offsets. Therefore, allowing an adjudicator to determine a method of repayment that does _not_ include offsetting would contravene federal law and place the statute out of conformity. Passage of a bill that is out of conformity with federal law could result in the loss of certification for tax credits for all employers (mostly private sector) liable for the §3301 Federal Unemployment Tax Act (FUTA) tax and could result in the loss of federal administrative funding for DOL. The loss of certification for tax credits under FUTA could result in an additional cost of approximately $500 million for Connecticut employers. Furthermore, the loss of federal

administrative funding would be catastrophic for DOL, as the funding is approximately 60 % of the Department's budget.

Finally, section 2 of the bill would require DOL to register with the Unemployment Insurance State Information Data Exchange System (SIDES) for purposes of the operation of the UC Program by October 1, 2014. This requirement, in turn, would require the Department to integrate SIDES with the Department's existing Electronic Document Management System (EDMS) platform. The Department has determined that it would take over two years to complete this integration. EDMS provides workflow services to the Unemployment Insurance (UI) Benefits and Tax Divisions and stores and manages huge volumes of information for DOL business units. The current EDMS platform is a ten year old system. Integrating SIDES with EDMS would require EDMS to be substantially upgraded and would cost the Department up to $1 million dollars from federal administrative funds that are already limited and declining.

Thank you for the opportunity to provide this testimony. I am available to answer any questions you may have.